

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 1556-01
Bill No.: SB 631
Subject: Taxation and Revenue - Sales and Use Tax
Type: Original
Date: April 7, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
General Revenue	Unknown	Unknown	\$2,526,965 to Unknown
Total Estimated Net Effect on General Revenue Fund	UNKNOWN	UNKNOWN	\$2,526,965 to UNKNOWN

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Various State Funds	Unknown	Unknown	Unknown
Transportation Dev. Sales Tax Trust Fund	Unknown	Unknown	Unknown
Aviation Trust Fund	\$0	\$0	(\$2,526,965)
Total Estimated Net Effect on Other State Funds	UNKNOWN	UNKNOWN	(\$2,526,965) to UNKNOWN

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	UNKNOWN	UNKNOWN	UNKNOWN

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Office of Administration, Budget and Planning (BAP)** assume this bill would bring Missouri sales and use tax laws into compliance with the streamlined sales and use tax agreement. BAP defers to the Department of Revenue to estimate any explicit fiscal impact. This proposal would not affect BAP.

Officials from the **Office of State Treasurer (STO)** assume this bill implements the provisions of the streamlined sales and use tax agreements.

This legislation creates the Transportation Development District Sales Tax Trust Fund (Section 238.235.5)

- in the treasury
- not state money
- Director of Revenue to keep records
- The Director of Revenue may authorize the treasurer to make refunds.

This bill also allows the DOR to accept sales tax returns electronically, and to accept sales tax collections from out-of-state businesses.

No impact to STO.

ASSUMPTION (continued)

Officials of the **Department of Transportation (MoDOT)** assume this legislation would move up the sunset on the transfer of jet fuel sales tax from 2008 to 2005. MoDOT assumes the general aviation airports will not be maintained or upgraded to meet the air transportation needs of Missouri. Also, moving up the sunset on the transfer of jet fuel tax from 2008 to 2005 will result in an estimated annual loss of \$5,053,929 in revenue for fiscal years 2007 and 2008, and \$2,526,965 for fiscal year 2006.

The operation cost for MoDOT's aviation section and state grant programs for airport capital improvement and maintenance are both funded out of the State Aviation Trust Fund (SATF). The primary funding source for the SATF is the sales tax on jet fuel. Moving up the sunset on the transfer of jet fuel sales tax from 2008 to 2005 would eliminate approximately 90% of the dedicated state funding for aviation and put a greater burden on the state's General Revenue Fund.

MoDOT assumes the jet fuel sales tax generates approximately \$5,053,929 per year, moving up the sunset from 2008 to 2005 would mean \$15,161,787 less for aviation. This is based on the FY 2003 appropriations.

As for the state's transit program and the Missouri Elderly and Handicapped Transportation Assistance Program (MEHTAP) - MoDOT assumes that there exists a potential of stabilizing these programs depending on how additional collected taxes deposited to the state's General Revenue Fund are appropriated. However, this potential positive impact on the transit and MEHTAP programs is not incorporated in the fiscal impact calculation as reflected on the Summary of Fiscal Impact page of this response.

Officials of the **Department of Revenue (DOR)** state this legislation implements the provisions of the streamlined sales and use tax agreement. DOR assumes it will impact the Division of Taxation as follows:

- 1.) Sections 67.671.6 and 67.671.8, changes the collection of tourism tax to require the Department of Revenue to collect the tax and also eliminates the "County Advertising and Tourism Sales Tax Fund".
- 2.) Eliminates certain exemptions that were found within the definition of "Sale at Retail" under the old Section 144.010.1(10).
- 3.) Added a new term, "sales price", to the definitions in the new Section 144.010.1(15).

ASSUMPTION (continued)

- 4.) Changes the definition of “food” under Section 144.014.
- 5.) Eliminates the \$2,000 threshold for filing a consumer’s use tax return, causing all taxpayers to become liable to pay consumer’s use tax if a sales or use tax was not paid at the time of purchase, under Section 144.655.5.

DOR assumes this legislation requires that retail sales that are delivered be taxed at the rate in effect for the delivery location, rather than the store’s location. There will be an increase in general revenues by expanding the tax base.

Oversight assumes this legislation does not create a new tax. It just makes compliance easier by shifting the burden of sales/use tax collection to companies. **Oversight** further assumes passing this proposal would not assure any potential increase in taxes collected until all states comply with the simplified sales/use tax agreement and federal legislation requires collection. **Oversight** will show the revenue impact for the changes in the sales/use tax laws relating to the simplified sales tax agreement as a positive unknown.

This legislation will increase Total State Revenue.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
GENERAL REVENUE FUND			
<u>Income - General Revenue</u>			
Change in sales/use tax laws	Unknown	Unknown	Unknown
Electronic filed sales/use taxes	Unknown	Unknown	Unknown
Sunset on transfer of Aviation Fuel Tax	\$0	\$0	\$2,526,965
Transp. Dev. District Sales Tax	<u>Unknown</u>	<u>Unknown</u>	<u>Unknown</u>
Total Income	Unknown	Unknown	\$2,526,965 to Unknown
<u>Transfer Out - Transp. Dev. District Fund</u>			
Less 1% collection fee	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON GENERAL REVENUE FUNDS	<u>UNKNOWN</u>	<u>UNKNOWN</u>	<u>\$2,526,965 to UNKNOWN</u>
<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006

VARIOUS STATE FUNDS

Income - Various State Funds
 Change in sales/use tax laws

Unknown Unknown Unknown

**ESTIMATED NET EFFECT ON
 VARIOUS STATE FUNDS**

UNKNOWN UNKNOWN UNKNOWN

**TRANSPORTATION
 DEVELOPMENT DISTRICT SALES
 TAX TRUST FUND**

Transfer In - from General Revenue
 Trans. Dev. Dist. sales tax

Unknown Unknown Unknown

Transfer Out - to Local Districts
 Less 2% for possible refunds/overpymts.

(Unknown) (Unknown) (Unknown)

**ESTIMATED NET EFFECT ON
 TRANSPORTATION
 DEVELOPMENT DISTRICT SALES
 TAX TRUST FUND**

UNKNOWN UNKNOWN UNKNOWN

AVIATION TRUST FUND

Loss - Aviation Fuel Tax Transfer

\$0 \$0 (\$2,526,965)

**ESTIMATED NET EFFECT TO
 AVIATION TRUST FUND**

\$0 \$0 (\$2,526,965)

FISCAL IMPACT - Local Government

FY 2004 FY 2005 FY 2006
 (10 Mo.)

Income - Cities/Counties
 Change in Sales/Use tax laws

Unknown Unknown Unknown

<u>Transfer In</u> - Trans. Dev. Districts			
Trans. Dev. Dist. sales tax	Unknown	Unknown	Unknown
<u>Loss</u> - Trans. Dev. Districts			
Locally collected Trans. Dev. sales tax	<u>(Unknown)</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
ESTIMATED NET EFFECT ON LOCAL FUNDS	<u>UNKNOWN</u>	<u>UNKNOWN</u>	<u>UNKNOWN</u>

FISCAL IMPACT - Small Business

Small businesses that collect sales/use tax could be impacted as a result of this proposal.

DESCRIPTION

This proposal brings Missouri sales and use tax laws into compliance with the streamlined sales and use tax agreement.

Compliance involves modifying many sections throughout the law, based upon meeting the following criteria:

- (1) The sourcing of sales must be changed to be based on receipt. This means that current law is modified, where necessary, to consider the point of sale, and thus the applicable tax rate, to be the point of receipt of the product;
- (2) When a city annexes property, the change to the tax rate will take place on the first day of the second calendar quarter after the Director of Revenue receives notice of the boundary change;
- (3) The same provisions as in (2) shall apply to rate changes;

DESCRIPTION (continued)

- (4) All sales taxes must be administered at the state level if they are not already;
- (5) All state and local sales taxes must have the same base. This means that exemptions at the

state and local level must be identical;

(6) Certain definitions, including a definitions for "delivery charges", "food" "lease or rental", "purchase price", "sales price", "tangible personal property" and other modified definitions, must be adopted from the streamlined sales and use tax agreement;

(7) The Department of Revenue can require electronic filing and payment of the sales and use tax;

(8) Registration for out of state sellers is simplified and no bond is required;

(9) No caps or thresholds may exist on the collection of sales or use taxes; and

(10) Out of state sellers must be offered uniform, simplified, electronic filing.

(11) Moves up the sunset on the transfer of jet fuel sales tax from 2008 to 2005.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
Budget and Planning
Department of Revenue
Department of Transportation
State Treasurer



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DIRECTOR
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